

Q3 2011



City of Seal Beach Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2011)

Seal Beach In Brief

Gross receipts for Seal Beach's July through September sales were 14.7% higher than the comparable quarter of 2010. Actual sales rose 13.4% when accounting anomalies were factored out.

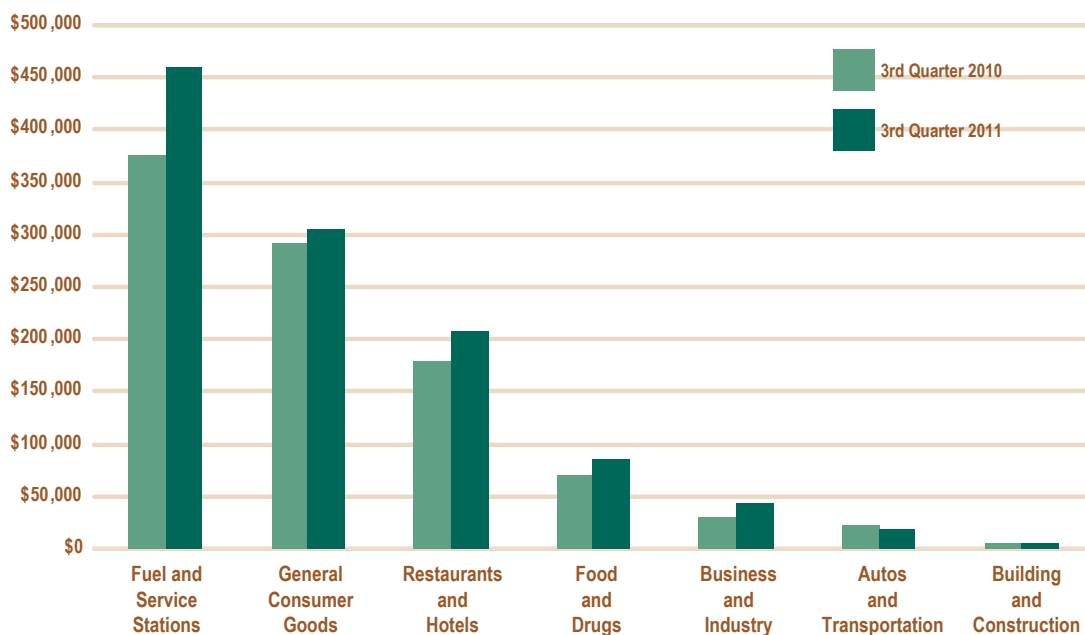
Strong sales from the fuel & service station group were a major factor for the overall increase, but service station returns were pared by prior business closeouts. New outlets contributed to gains from both restaurants-beer & wine and quick service eateries.

Sales were up from some categories of general consumer goods while onetime use tax allocations buoyed proceeds from the business & industry group. Payment anomalies inflated returns from several classifications in the food/drugs group.

Receipt of a double-up payment in the year-ago quarter overstated losses from the automotive sector.

Aadjusted for reporting aberrations, sales and use tax receipts for all of Orange County increased 8.0% over the same time period; Southern California totals were up 8.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Amonix	Leisure World
At&T Mobility	Automotive 76
Bed Bath & Beyond	Mahe
California Pizza Kitchen	Marshalls
Chevron Service	Old Ranch Country Club
College Park Mobil	Original Parts Group
Conkle Union Service	Ralphs
CVS Pharmacy	Roger Dunn Golf Shops
Encore Aerospace	Seal Beach Mobil
Energy Tubulars	Spaghettini
G & M Oil	Target
Home Goods	Vons
Kohls	Walts Wharf

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$1,866,140	\$2,238,260
County Pool	197,748	224,669
State Pool	1,334	276
Gross Receipts	\$2,065,222	\$2,463,205
Less Triple Flip*	\$(516,306)	\$(615,801)

**Reimbursed from county compensation fund*

California Overall

Adjusted for accounting aberrations, statewide local sales and use tax revenues for July through September transactions increased 8.6% over last year's comparison quarter. This is the seventh consecutive quarterly gain since the beginning of the recovery.

All categories were up with receipts from higher fuel prices accounting for much of the statewide increase. Sales of new autos, consumer goods and quick and full service restaurants also exhibited solid growth.

The Foggy Crystal Ball

Although 2011-12 is shaping up to be a period of strong sales tax recovery, most analysts believe that the pace of growth will slow in 2012-13 with the only disagreement being over the degree of slowdown.

Additional state budget cuts, continued high unemployment, further declines in home values and unstable fuel prices are part of the uncertainty. The financial turmoil in Europe is also of concern.

Manufacturers, growers, distributors, transporters and other companies involved in export trade make up 25% of the state's gross product. The European crisis has the potential of slowing the demand for both U.S. and Asian goods which would also pare the growth of California's Asian markets. Comparative strengthening of the U.S. dollar would also make exports more expensive.

Analysts worry about the resulting impact on Silicon Valley's technology industries, the Central Valley's agricultural exports and Southern California's transportation sector.

Sales Tax and the Internet

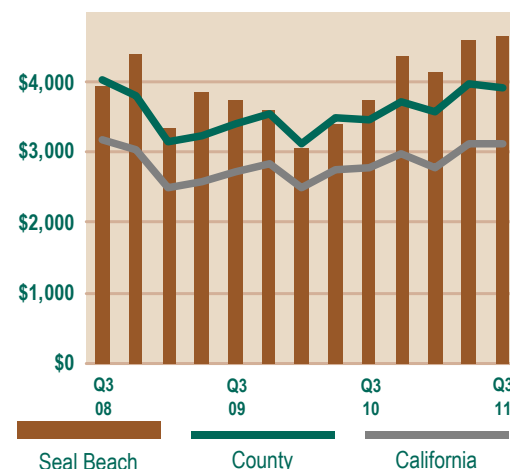
In 1992, the Supreme Court ruled that interstate commerce rules preclude states from requiring sellers without an in-state physical presence to collect local taxes. Since that time, attempts to interest Congress in correcting the problem have been unsuccessful.

With internet sellers becoming a major retail competitive force and more states adopting legislation expanding the definition of what constitutes "physical presence," the need for fairness and uniformity is softening opposition. This year, three competing bills were introduced in Congress that would allow the collection of local taxes. These are: S.1452, H.R. 3179 and S. 1832.

Given the general discord and paralysis in Congress, there is some question of whether any of these will pass. However, a compromise agreement between the State of California and Amazon has resulted in legislation (AB 155) that requires

in-state affiliates of remote sellers to begin collecting and remitting sales and use tax by September 15, 2012. Estimates on the amount of new revenues that will be generated have been difficult to develop but local agencies should not expect gains of more than \$1 per capita. More on the congressional legislation can be found in HdL's December issues paper.

SALES PER CAPITA



SEAL BEACH TOP 15 BUSINESS TYPES

Business Type	Seal Beach		County	HdL State
	Q3 '11*	Change	Change	Change
Automotive Supply Stores	—	CONFIDENTIAL	20.1%	12.3%
Clubs/Amusement Places	—	CONFIDENTIAL	4.6%	8.8%
Discount Dept Stores	—	CONFIDENTIAL	4.5%	3.1%
Drug Stores	22.7	5.4%	4.2%	6.2%
Family Apparel	65.0	8.1%	9.0%	7.9%
Grocery Stores Liquor	—	CONFIDENTIAL	14.2%	10.8%
Home Furnishings	46.4	2.9%	-0.2%	7.5%
Office Equipment	—	CONFIDENTIAL	-15.9%	3.8%
Petroleum Prod/Equipment	—	CONFIDENTIAL	61.5%	46.2%
Restaurants Beer And Wine	53.5	26.7%	2.3%	0.7%
Restaurants Liquor	85.3	2.2%	8.7%	10.9%
Restaurants No Alcohol	53.1	22.5%	8.4%	7.1%
Service Stations	127.2	1.4%	21.5%	20.5%
Sporting Goods/Bike Stores	18.9	5.2%	10.5%	8.2%
Women's Apparel	27.4	10.7%	12.0%	10.0%
Total All Accounts	\$1,125.6	15.3%	8.4%	9.4%
County & State Pool Allocation	116.4	9.8%		
Gross Receipts	\$1,242.0	14.7%		<i>*In thousands</i>